

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1140 - SB 1071

March 3, 2011

SUMMARY OF BILL: Adds state-employed firefighters, who are members of the Tennessee Consolidated Retirement System (TCRS), to the list of state public safety occupations required to take mandatory retirement at age 60, provided the mandatory retirement of these state employees does not violate the Age Discrimination in Employment Act.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$29,200

Increase Federal Expenditures - \$9,700

Other Fiscal Impact – The total additional lump sum liability to the Tennessee Consolidated Retirement System is estimated to be \$396,600.

Assumptions:

- This bill amends Tenn. Code Ann. § 8-36-205(a)(1) and § 8-36-205(a)(3)(A), which apply to state-employed public safety officials. The bill does not amend Tenn. Code Ann. 8-35-205(a)(2), which applies to public safety officials, including firefighters, employed by local governments. As a result, this fiscal note estimates the impact relative to state-employed firefighters being required to retire at the age of 60. It excludes any impact relative to firefighters employed by local governments.
- According to TCRS, there are currently 36 firefighters employed by the Department of Military.
- According to the TCRS, the annual cost to amortize the additional lump sum liability to TCRS, relative to 36 state-employed firefighters, will be approximately \$38,900 per year.
- According to TCRS, retirement benefits for retired state employees are funded 75 percent with state funds and 25 percent with federal funds.
- The recurring increase in state expenditures will be \$29,175 ($\$38,900 \times 75.0\%$); the recurring increase in federal expenditures will be \$9,725 ($\$38,900 \times 25.0\%$).
- Pursuant to Tenn. Code Ann. § 3-9-103(b), TCRS utilizes a 20-year horizon for estimating the additional lump sum liability.

- Pursuant to Tenn. Code Ann. § 8-34-505, TCRS utilizes a 7.5 percent interest rate for estimating the additional lump sum liability.
- Assuming a 20-year horizon, a 7.5 percent interest rate, and annual payments of \$38,900, the additional lump sum liability will be \$396,565.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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